HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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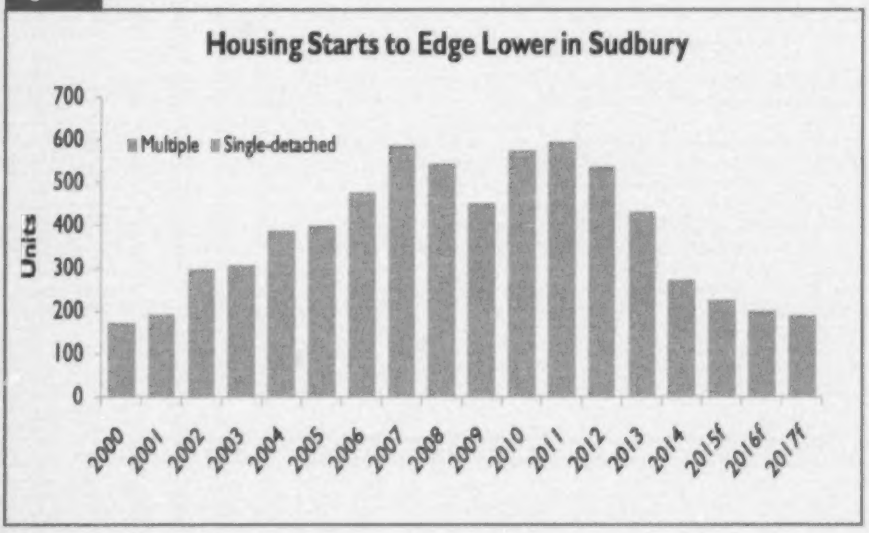
Highlights

- Total housing starts will trend lower during 2015-2017.
- The resale market will favour home buyers.
- The vacancy rate will rise due to faster growth in supply than demand.

Figure 1



Source: CMHC (Starts Survey); f= CMHC Forecast

The forecasts and historical data included in this document reflect information available as of September 29, 2015.

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New Home Market: Housing Starts to Trend Lower

Housing starts in the Greater Sudbury Census Metropolitan Area (CMA) will continue to moderate due to the ongoing weak growth in jobs and population. Declining nickel prices have forced the mining and related sectors to continue restructuring by cutting its direct workforce and contractors. This has discouraged in-migration to Sudbury. As a result, total housing starts will fall by 17 per cent to 225 units in 2015 and keep trending lower to 200 units in 2016 and 190 units in 2017.

Single-detached home starts will drop from 172 units in 2014 to 135 units in 2015, 110 units in 2016 and 100 units in 2017. The lower resale home prices coupled with the shrinking pool of move-up buyers aged 35-54 will keep demand low for new single-detached homes. The share of single-detached home starts has been around 50 per cent since 2009, much lower than the past 20-year's average of 77 per cent.

Meanwhile, multiple-unit home starts will stay around 90 units annually during the forecast period of 2015-2017. While the rapidly aging population and decreasing household size in Sudbury have been supporting a growing preference for multiple-unit homes, the high level of rental apartment units currently under construction and the rising vacancy rate will deter builders from starting more rental apartment units. Furthermore, although there are multiple proposals for condo apartment projects, pre-construction condo apartment sales have not been encouraging. These projects will likely be sidelined until the local economy improves According to CMHC's market intelligence, condo buyers in Sudbury are mostly seniors, who prefer townhouse condos over apartment condos. Townhouse condos are usually larger and priced more competitively than apartment condos and have lower maintenance costs.

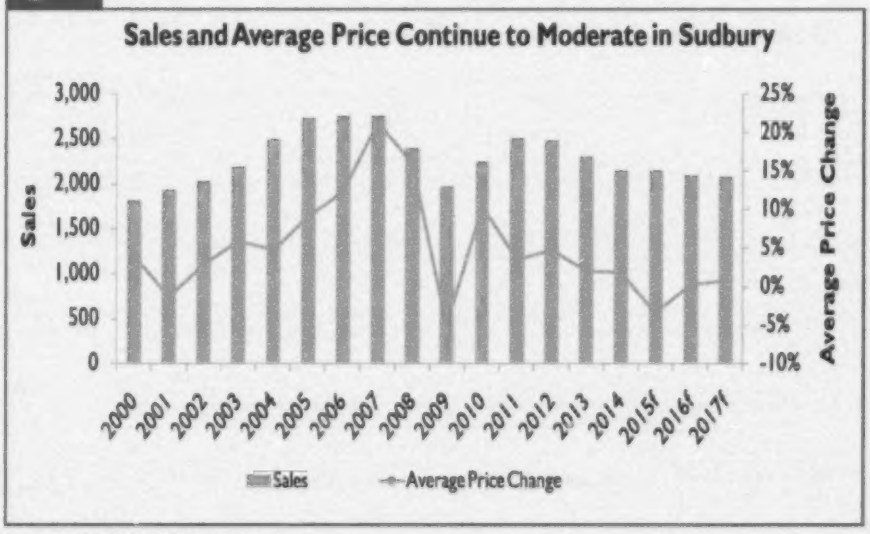
The softening single-detached new home sector and the falling resale home prices will limit the growth of new single-detached home prices. The average price for new single-detached homes is forecast to be $445,000 this year, and will stay relatively flat during the remainder of the forecast period.

Existing Home Market: Prices to Moderate

Existing home sales in Sudbury have been trending lower since 2011. In 2015, sales will stay close to the level reached last year at 2,150 as homeownership becomes more affordable thanks to low mortgage rates and home prices. Nonetheless, sales will moderate slightly to 2,100 homes in 2016 and in 2017 because the number of first-time home buyers will remain fairly constant. The weak outlook for the local economy and the aging population will not help to add more working age people to the local market. The working age population in Sudbury started to decrease in 2009 as commodity prices dropped. The average annual decline in the population aged 15-64 was about 300 persons in the past five years with the rate of reduction speeding up. In addition, the expected slight increase in the mortgage rates will add to the costs of homeownership, albeit marginally.

The resale market in Sudbury will stay favourable for buyers. Resale new listings have been trending up in Sudbury since 2003 when the resale market ended its decade long stagnancy thanks to the strong growing demand for nickel. However, since the declining in nickel prices in 2009, job growth has been flattened and people started to move out of Sudbury. The growth rate of new listings has been accelerating since the second half of 2012 when the growth of resale home price started

Figure 2



Source: CREA(MLS®); f=CMHC Forecast
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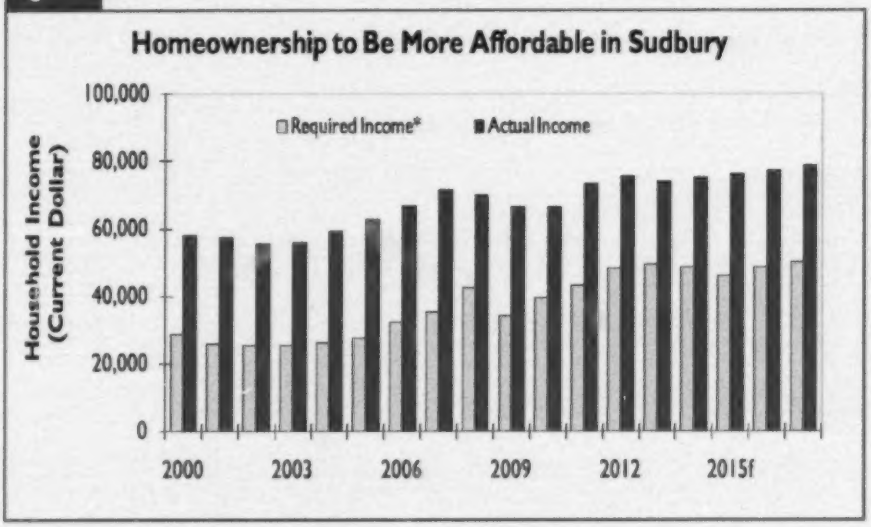
to slow down and home sales began to decline. With continuing sales moderation in the forecast, new listings are expected to increase continually. It will take a longer time for home sellers to find buyers, resulting in weaker resale prices. The average resale price will fall by over three per cent to $241,500 in 2015 from $249,961 in 2014, and stay relatively flat in 2016 ($242,200) and 2017 ($244,000) as price growth lags general inflation.

Rental Market: Vacancy Rate to Move Up

The vacancy rate in Sudbury is expected to move up during the forecast period of 2015-2017 as rental accommodation supply will grow faster than demand. The average vacancy rate for rental apartments will trend up to 4.3 per cent in 2015, 4.6 per cent in 2016 and 4.8 per cent in 2017.

Rental apartment completions are expected to pick up in late 2015 to early 2016 as several large projects started in 2012-2013 are wrapped up. These projects have a total of close to 200 units. On the demand side, the number of renters has remained relatively level due to several factors. Firstly, the low rates of natural population increase and low net migration resulted in negative growth in the population aged 15-24, most of which rent when forming their own households. This reduction has offset the growth in rental demand from the group aged 45 and over. Secondly, the slow job growth has slowed down the formation of younger households. Lastly, the relatively affordable homeownership market has been competing with the rental market. Total occupied rental apartments have remained around 10,800 units in the past five years.

Figure 3



Source: CMHC, Statistics Canada, CREA

*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on a 10 per cent down payment, the posted fixed five year mortgage rate and the longest available amortization for a mortgage.

The average rent for a two-bedroom apartment unit in Sudbury will increase faster in 2015. The higher number of rental apartment completions as well as more renovation spending on existing rental stock will push up the average two-bedroom apartment rent by over four per cent to $970 in 2015. Although rental apartment completions have been high in recent years, the growth of total rental apartment universe has been slower. In the past three years, total completions were over 300 units while the increase in universe was 100 units due to the removal of older stock. As a result, newer and recently upgraded apartments made up an increasing share of total supply. In 2016 and 2017, the pace of rent increase will slow down due to the continuous increase in the vacancy rate. The forecast two-bedroom apartment rent is $990 in 2016 and $1,000 in 2017.

Economy Trends: Working Age Population to Decline

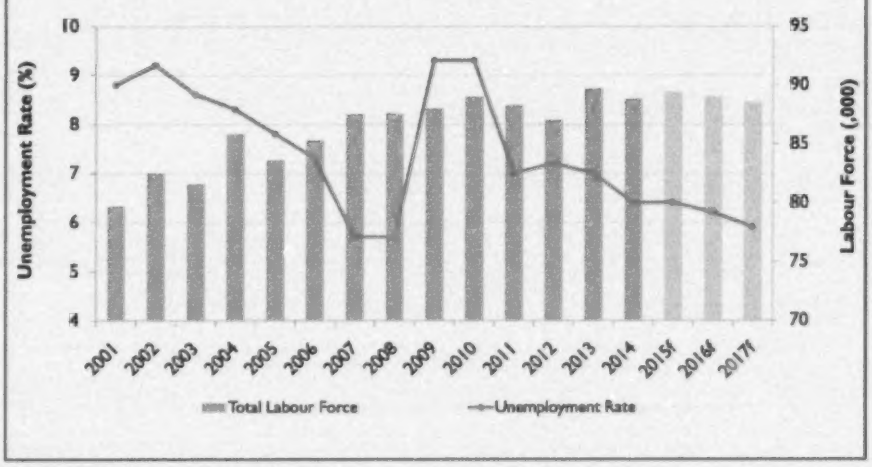
Total employment in Sudbury is forecast to grow by 0.6 per cent in 2015 from 2014 and edge slightly lower in 2016 and 2017 due to the weak commodity prices. However, the total labour force in Sudbury will grow at a slower rate and eventually contract, leading to the downward movement in the unemployment rate. With the market participation rate approaching its highest level since 2001, the eventual decrease in the labour force will be driven by a decline in the population aged 15-64.

The bright spot in the local economy lies in the expanding job market in the science and technology and health care sectors. These two sectors have gradually become the key drivers

of local job growth. Research and development in mining technologies as well as scientific experiments utilizing old mine sites have added more than 3,000 jobs in the past 20 years. Meanwhile, Sudbury's aging population has been demanding more health care services, which created a similar amount of jobs locally during the same time period. In fact, these two sectors accounted for most of the job growth in Sudbury in the past two decades and started to attract younger workers to the CMA, whereas older workers have been leaving the area due to the restructuring of the local economy, like the shutdowns or consolidations in the mining sector caused by the decline in nickel prices and new technologies adapted by the sector. Nonetheless, the aging population has meant more losses from individuals leaving the workforce than offsetting gains from net migration of younger people, such that the working age population has been declining.

Figure 4

Shrinking Labour Force to Help Reducing Unemployment Rate



Source: Statistics Canada; f=CMHC Forecast

Mortgage Rate Outlook

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand. However, consistent with the view of Canadian economic forecasters, CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the five-year rate is forecast to be within the 4.10 to 5.20 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.

Mortgage rates		
1 Year	Q3 2015	2.90
	Change from Q3 2014	-0.24
	2014	3.14
	2015 (F)	2.60 to 3.30
	2016 (F)	3.00 to 3.80
	2017 (F)	3.90 to 4.80
5 Year	Q3 2015	4.65
	Change from Q3 2014	-0.14
	2014	4.88
	2015 (F)	4.10 to 5.20
	2016 (F)	4.70 to 6.00
	2017 (F)	5.10 to 6.50

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q3 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually late in 2016, contributing to moderation in housing demand.
Employment	Weak employment growth will constrain housing starts.
Income	A tightening labour market coupled with employment growth in some high paying sectors will help income outpace home prices, adding to home ownership affordability
Population	Stagnant population growth will continue to dampen demand for housing.
Resale Market	The cooling resale market will keep demand for new single-detached homes low during 2015-2017.
Rental Market	The expected increase in the average vacancy rate will slow the supply of new rental units.

Forecast Risks

Upside Risks

- Stronger than expected domestic demand in the United States that would positively impact Canadian exporters and likely drive greater-than-expected housing demand.
- Potential increase in oil prices as oil demand is expected to rise from stronger global activity and oil supply growth is anticipated to be limited by reduced investment in new production capacity.
- Potential further declines in the Canadian dollar against the U.S. dollar due to a stronger than expected U.S. economy will enable more nickel mining companies and mining equipments producers to further reduce costs and generate more cash flow. This will help more mining and related companies to stay in business and put upward pressure on the forecast

Downside Risks

- A broader slowdown in the economic growth of China will negatively affect Canada through weaker demand for Canadian exports as well a downward pressure put on commodity exports. In Sudbury, more mining companies and suppliers, especially smaller size ones, will be forced to close their business, further weakening demand for housing.
- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to a potential correction. A disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on the economy.

Forecast Summary Greater Sudbury CMA Fall 2015									
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg	2017(F)	% chg
New Home Market									
Starts:									
Single-Detached	294	208	172	135	-21.5	110	-18.5	100	-9.1
Multiples	242	223	99	90	-9.1	90	0.0	90	0.0
Semi-Detached	48	28	36	30	-16.7	30	0.0	30	0.0
Row/Townhouse	29	7	40	15	-62.5	20	33.3	20	0.0
Apartments	165	188	23	45	95.7	35	-22.2	40	14.3
Starts - Total	536	431	271	225	-17.0	200	-11.1	190	-5.0
Average Price ($):									
Single-Detached	383,665	427,291	444,246	445,000	0.2	450,000	1.1	455,000	1.1
Median Price ($):									
Single-Detached	369,900	422,950	439,900	425,000	-3.4	430,000	1.2	435,000	1.2
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.3	0.9	0.4	0.5	-	0.5	-	0.5	-
Resale Market									
MLS® Sales	2,478	2,308	2,156	2,150	-0.3	2,100	-2.3	2,100	0.0
MLS® New Listings	4,177	4,448	4,718	4,668	-1.1	4,723	1.2	4,813	1.9
MLS® Average Price ($)	240,312	245,307	249,960	241,500	-3.4	242,000	0.2	244,000	0.8
Rental Market									
October Vacancy Rate (%)	2.7	3.4	4.2	4.3	0.1	4.6	0.3	4.8	0.2
Two-bedroom Average Rent (October) ($)	915	914	927	970	4.6	990	2.1	1,000	1.0
Economic Overview									
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.60 to 3.30	-	3.00 to 3.80	-	3.90 to 4.80	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.10 to 5.20	-	4.70 to 6.00	-	5.10 to 6.50	-
Annual Employment Level	80,800	83,300	83,100	83,700	0.7	83,500	-0.2	83,300	-0.2
Employment Growth (%)	-1.6	3.1	-0.2	0.7	-	-0.2	-	-0.2	-
Unemployment rate (%)	7.2	7.0	6.4	6.4	-	6.2	-	5.9	-
Net Migration	221	167	91	100	9.9	100	0.0	100	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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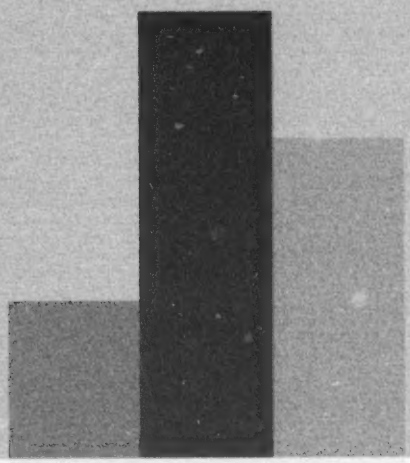

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